

## Message Text

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12

ACTION EB-07

INFO OCT-01 EA-07 IO-13 ISO-00 STR-04 TRSE-00 CIAE-00

INR-07 NSAE-00 DOTE-00 L-03 /042 W

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R 250801Z AUG 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 9395

INFO AMEMBASSY BANGKOK

AMEMBASSY JAKARTA

AMEMBASSY KUALA LUMPUR

AMEMBASSY SINGAPORE

USDEL MTN GENEVA

USDOC WASHDC

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E. O. 11652: N/A

TAGS: ETRD, EINV, ASEAN, RP

SUBJECT: ASEAN PROJECT FOR DIESEL ENGINES BY SINGAPORE

REF: MTN GENEVA 6522 AND SINGAPORE 3952

1. THE SINGAPOREAN ASEAN PROJECT FOR DIESEL ENGINES MAY ENCOUNTER SOME ROUGH SAILING AHEAD AS THE PHILIPPINES (AND PRESUMABLY OTHER ASEAN COUNTRIES) HAS STAKED OUT ITS INTERESTS IN CERTAIN LINES OF DIESEL ENGINES. ACCORDING TO THE TIMES JOURNAL ON AUGUST 20, BOI CHAIRMAN AND INDUSTRY SECRETARY VICENTE PATERNO SAID IN A SPEECH TO THE PHILIPPINE CHAMBER OF COMMERCE THAT THE PHILIPPINES IS NOT ACCEDING TO SINGAPORE'S PLAN TO GO INTO ALL LINES OF DIESEL ENGINES SINCE SMALL DIESEL ENGINES ARE PRESENTLY BEING MADE IN THE PHILIPPINES. THE GOP THEREFORE IS NOT GOING TO PROVIDE TARIFF PREFERENCES TO DIESEL ENGINES WHICH MIGHT COMPETE WITH THOSE PRODUCED LOCALLY.

2. EMBOFF HAS QUERIED DR. ANTONIO ARIZABAL, WHO IS IN CHARGE OF ASEAN AFFAIRS AT BOI, REGARDING PATERNO'S

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STATEMENTS. DR. ARIZABAL SAID HE COULD NOT SPEAK FOR

PATERNO BUT PROVIDED THE FOLLOWING BACKGROUND TO PLACE MATTER IN CONTEXT. DURING THE LAST MEETING OF THE ASEAN INDUSTRY COMMITTEE IN MANILA, THE PHILIPPINES AND "SEVERAL OTHER COUNTRIES" INFORMED SINGAPORE OF THEIR EXISTING MANUFACTURE OF DIESEL ENGINES AND/OR THEIR PLANS FOR THE PRODUCTION OF SUCH ENGINES. DR. ARIZABAL SAID THAT THE PHILIPPINES IS ALREADY MAKING SMALL DIESEL ENGINES UNDER LICENSE FROM MITSUBISHI, KUBOTA, AND KIRLOSKAR (AN INDIAN FIRM), AND IS PLANNING A DIESEL LINE UNDER THE PROGRESSIVE TRUCK MANUFACTURING PROGRAM. HE WAS VAGUE ON THE IDENTITY OF "THE OTHER COUNTRIES", BUT THOUGHT THAT EITHER INDONESIA OR THAILAND WERE MAKING OR PLANNING TO MAKE AUTOMOTIVE DIESELS.

3. IN ANY CASE, ACCORDING TO DR. ARIZABAL, THE GOS ACCEPTED THE PRINCIPLE THAT IT MUST TAKE INTO CONSIDERATION THE EXISTING MANUFACTURE AND/OR PLANS TO MANUFACTURE DIESEL ENGINES BY OTHER ASEAN COUNTRIES. THE GOS PLAN HAD ORIGINALLY ENCOMPASSED THREE RANGES OF DIESELS--SMALL, MEDIUM AND LARGE, IF THE GOS AGREED TO THE ABOVE PRINCIPLE, THEN ITS PROJECT WOULD HAVE TO CONCENTRATE ON LARGE OR MARINE TYPES OF DIESELS.

4. IN THE MEANTIME, THE PHILIPPINE CHAMBER OF INDUSTRIES WARNED AGAINST HASTY IMPLEMENTATION OF ASEAN PROJECTS AND ASKED THE GOP TO PROMOTE INTERNAL INTEGRATION AND DOMESTIC INDUSTRIES FIRST BEFORE PARTICIPATING IN REGIONAL PROJECTS. THESE PCI RESERVATIONS ARE APPARENTLY BASED NOT AS MUCH ON GROUNDS OF NATIONALISM OR PROTECTIONISM AS ON APPREHENSIONS THAT THE ASEAN PROJECTS ARE STATIST IN CONCEPT AND COULD ULTIMATELY ADVERSELY AFFECT THE PRIVATE ENTERPRISE CLIMATE AND SCOPE WHICH PCI MEMBERS NATURALLY FAVOR.

5. COMMENT: THE COHESIVENESS OF ASEAN ON TRADE AND INDUSTRIAL MATTERS IS STILL IN THE FORMATIVE STAGE, AND THE WORDS OF A GOS OFFICIAL QUOTED BY EMBASSY SINGAPORE ARE EQUALLY APPLICABLE HERE: "SOME U.S. COMPANIES ARE SKEPTICAL THAT ASEAN PROJECTS WILL GET OFF LIMITED OFFICIAL USE

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THE GROUND."  
SULLIVAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** POLICIES, PROGRAMS (PROJECTS), DIESEL ENGINES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 25 AUG 1976  
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